

Earned Income Tax Credit

WILL YOU QUALIFY

FOR THE



EITC
THIS YEAR?



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AM I ELIGIBLE TO CLAIM THE EITC?

The **Earned Income Tax Credit** is a tax break for people who work but do not earn high incomes.

To claim the EITC on your 2005 tax return, you must meet the following requirements:

- You must have earned income from employment or from self-employment.
- Your earned income and adjusted gross income (AGI) must be less than:
 - \$35,263 if you have more than one qualifying child (\$37,263 if married, filing jointly);
 - \$31,030 if you have one qualifying child (\$33,030 if married, filing jointly);
 - \$11,750 if you have no qualifying child (\$13,750 if married, filing jointly).
- Your investment income (such as interest) must be \$2,700 or less.
- Your filing status cannot be married, filing separately.
- You must be a U.S. citizen or resident alien all year, or a nonresident alien married to a U.S. citizen or resident alien and filing a joint return.
- You cannot be a qualifying child of another person.
- If you do not have a qualifying child, you must:
 - be age 25 but under 65 at the end of the year,
 - live in the United States* for more than half the year, and
 - not qualify as a dependent of another person.

* U.S. military personnel on extended active duty outside the United States are considered to live in the United States while on active duty.



WHO IS A QUALIFYING CHILD?

A **qualifying child** is a child who:

- Is your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them.
- At the end of the year was:
 - under age 19, or
 - under age 24 and a full-time student, or
 - any age if permanently and totally disabled at any time during the year.
- Lived with you in the United States for more than half of the year.

An adopted child, including a child placed with you for adoption, is treated as your biological child.

A foster child is any child placed with you by an authorized placement agency or a court.



WHAT IF I HAVE THE SAME QUALIFYING CHILD AS SOMEONE ELSE?

If two or more persons have the **same qualifying child** for the EITC, dependency exemption, child tax credit, head of household filing status, or credit for child and dependent care expenses, only one person can claim the child as a qualifying child for all of those benefits. The other persons cannot claim any of those benefits using that qualifying child.

- They must decide who will claim the benefits, including the EITC, using that qualifying child.
- If they cannot agree, and more than one person actually uses the same child, the tie-breaker rules apply.



WHAT ARE THE TIE-BREAKER RULES?

Under the **tie-breaker** rules, the child is treated as a qualifying child only of:

- The parent, if only one of the persons is the child's parent, or
- The parent with whom the child lived the longest during the year, if two of the persons are the child's parent, and they do not file a joint return together, or
- The parent with the highest AGI if the child lived with each parent for the same amount of time during the year, and they do not file a joint return together, or
- The person with the highest AGI, if none of the persons is the child's parent.



DO I NEED A SOCIAL SECURITY NUMBER?

You, your spouse (if filing jointly) and any qualifying child you list on Schedule EIC must have **valid SSNs issued by the Social Security Administration.**

- If you got a SSN solely to receive federally funded benefits, such as Medicaid, it is not valid for EITC purposes. The Social Security card will generally say NOT VALID FOR EMPLOYMENT.
- If you are an alien who is not a permanent resident and hold a Social Security card that says VALID FOR EMPLOYMENT ONLY WITH INS/DHS AUTHORIZATION, you have a valid SSN for the EITC.
- If you (or your spouse if filing jointly) have an individual taxpayer identification number (ITIN), you cannot get any EITC.
- If a qualifying child has an ITIN or an adoption taxpayer identification number (ATIN), you cannot get the EITC on the basis of that child.



WHAT IS EARNED INCOME?

Earned income is income you get from employment or self-employment.

- Earned income includes:
 - taxable wages, salaries and tips;
 - net earnings from self-employment;
 - gross income received as a statutory employee.
- Earned income does not include nontaxable employee benefits such as education assistance.
- If you received nontaxable combat pay, you may choose to include it in your earned income.
- Pensions, alimony, child support, and TANF are not considered earned income.



HOW DO I FIGURE MY EITC?

If you qualify for this credit, you have options:

- In most cases, all you need to claim the EITC is your tax return and instructions: 1040, 1040A or 1040EZ. However, if you have a more complicated return, you may need to use Publication 596, Earned Income Credit. If so, your Form 1040 instructions will refer you to that publication.
- If you are claiming a qualifying child, you must complete and attach Schedule EIC to your return.
- If your EITC for 1997 or later was denied or reduced by the IRS as the result of an audit, to claim the credit for 2005 you may need to attach Form 8862, Information to Claim Earned Income Credit After Disallowance, to your return. See Publication 596 or the instructions for Form 8862.
- If you would like the IRS to figure your EITC for you, follow the instructions in your tax booklet.



HOW DO I GET ADVANCE EITC?

If you expect to qualify for the EITC in tax year 2005, you can get part of the credit in your paycheck during the year. To get advance payments, you must:

- Receive wages.
- Expect to be eligible for the EITC and expect to be able to claim at least one qualifying child.
- Complete Form W-5, Earned Income Credit Advance Payment Certificate, and give it to your employer



HOW CAN I GET HELP?

The IRS provides help and free tax materials in many ways:

- Website: **The EITC Assistant** is an interactive tool that shows you whether or not you qualify, and why. Available on www.irs.gov/eitc. Also download forms and publications here.
- Volunteer Income Tax Assistance (VITA) sites. Trained volunteers can help you complete your tax return for free. Call **1-800-TAX-1040** for a site near you.
- Call **1-800-TAX-1040** for answers to EITC and other tax questions.
- Call **1-800-TAX-3676** for a free copy of Publication 596 and other IRS forms and publications.
- If you have access to TTY/TDD equipment for the hearing impaired, call **1-800-TAX-4059**.

www.irs.gov/eitc



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